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The Honorable Mark Begich  
United States Senate  
Washington, DC 20510

Dear Senator Begich:

The UPS pilot furlough has been the subject of some discussion in the Anchorage area in recent weeks. UPS remains committed to being a trusted source of factual information regarding staffing changes at our airline, so I am writing to share with you our plans to reduce the number of employees impacted by the nationwide furlough and to correct some inaccurate and misleading claims about UPS's economic impact in Alaska. In these challenging times, businesses are forced to make tough business decisions. We understand the impact of any temporary layoff on our people and on company stakeholders, including some of your constituents.

In February, UPS announced plans to furlough approximately 300 of its airline pilots as part of several difficult, but prudent business decisions in response to the recession. There continue to be mixed economic signals and we believe that the recovery will be gradual. However, due to our improving economic conditions as reported in our 2<sup>nd</sup> quarter earnings, **UPS will reduce its pilot furlough by an estimated 70 crewmembers, decreasing the number from 300 to approximately 230.** Our business model is simple: packages equal jobs at UPS. If our 2010 growth continues, the furlough could be reduced even more in the future. The reductions will impact some of the furloughs slated for 2011.

It is important to understand that the furlough **does not reduce the number of UPS pilots assigned to Anchorage.** Every junior crewmember furloughed from Anchorage is being replaced by a more senior pilot from within our network. This follows the union negotiated contract that any furlough is carried out according to a union-based reverse seniority process. Any claim that UPS is "outsourcing" jobs is simply incorrect. The new pilots are being offered relocation packages to move to Alaska, but that is a personal choice. Currently, we have 25 new relocations to Anchorage in process.

Furthermore, by the end of this year, we anticipate adding an additional 50 crewmembers to our current Anchorage pilot base of 500 to accommodate an increase in international flights.

It is also important to understand, that the furloughs are **temporary**. As business conditions allow, we plan to bring our crewmembers back to UPS, many of them returning to Anchorage.

We are pleased to be able to reduce the scope of the furlough. However, the business conditions that are driving the furlough still exist.

- UPS is flying 48 fewer aircraft (214 vs. 262) than we were in 2003. We have *permanently* retired our older, three-person aircraft in favor of larger, more efficient, two-person aircraft. At one time those 727, DC-8 and classic 747 fleets accounted for 400 flight engineers for whom there is no longer a need.
- Even as business returns, we are flying approximately 10 percent fewer block hours (essentially the amount of time our planes are actually in flight) than we were in 2007, prior to the major impact of the recession.
- The FAA's 2007 "retirement age 65" ruling has kept 200 pilots on the payroll who previously would have been required to retire at age 60.

Despite some misinformation to the contrary, the bottom line is that we still have more pilots than we need to operate our airline. On average, the employment costs for each pilot in the furlough group is \$185,000 per year in wages and benefits. Today's economic environment prevents our company from carrying hundreds of excess employees at such a high cost.

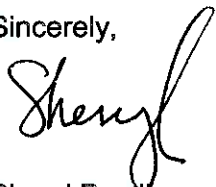
UPS has long been an economic engine for Alaska. With over 1,000 employees and an annual payroll of \$108 million, UPS is one of Alaska's largest employers. We have invested \$60 million in infrastructure at Ted Stevens International Airport, including the \$42 million training facility we opened in 2008.

Our airline has operated in Anchorage for 20 years, and we have grown into the top carrier at ANC in terms of landed weight. Over the last three years, we have generated an average of \$4.4 million in landing fees. In addition, UPS contributes \$2 million to Alaska each year in property, fuel, unemployment and hotel taxes.

UPS has enjoyed a successful partnership with the state of Alaska, and we anticipate it will continue for many more years to come. UPS remains focused on ensuring the long-term strength of the company and seizing the growth opportunities that are beginning to emerge. Our hope is that the economy improves to the point we can return more employees to work. We will continue to examine business conditions and adjust pilot staffing levels appropriately in the future.

I hope this information helps to put our furlough in perspective, Senator Begich. We always look forward to working with you.

Sincerely,



Sheryl Bonilla  
UPS Corporate Public Affairs Manager